

APPROVED FOR RELEASE
DATE: JUL 2004 (b) (3)

01/ / DISSEM PER OPA #2

~~SECRET~~

FRPI

1. IRAN-IRAQI SITUATION REPORT.

1. //IRAN-IRAQ SITUATION REPORT: THE ISLAMIC CONSULTATIVE ASSEMBLY'S DISCUSSION OF THE HOSTAGE ISSUE WAS DELAYED ON 18 SEPT BY PRIME MINISTER RAJAI'S INTERRUPTION TO PRESENT A SECRET REPORT ON THE IRAN-IRAQ BORDER SITUATION. THE IRAQIS ON 18 SEPT ISSUED REGULATIONS GOVERNING THE USE OF THE SHATT AL ARAB WATERWAY, RAISING THE POSSIBILITY OF A MAJOR CONFRONTATION WITH IRAN. [REDACTED]

//DEBATE ON THE FORMATION OF A SPECIAL COMMITTEE TO HANDLE THE HOSTAGE ISSUE WAS ACRIMONIOUS AND APPARENTLY WILL BE RESUMED AT THE ASSEMBLY'S NEXT SESSION ON SUNDAY.

~~SECRET~~

4939201 - 7

~~SECRET~~

[REDACTED]

PROLONGED DISCUSSION IS LIKELY BEFORE THE COMMITTEE BEGINS ITS WORK. THE ASSEMBLY AGREED YESTERDAY ON A PROPOSAL BY THE HARDLINERS FOR THE ASSEMBLY TO PRODUCE "TERMS OF REFERENCE" FOR THE COMMITTEE. [REDACTED]

//HARDLINERS USED THE SESSION TO CALL FOR HOSTAGE TRIALS, CONDEMN THE US, AND ATTACK SECULAR MODERATES WHO HAD OFFICIAL CONTACTS WITH THE US DURING THE BAZARGAN ADMINISTRATION. MODERATES LIKE BAZARGAN AND EBRAHIM YAZDI RESPONDED BY CITING KHOMEINI'S INSTRUCTION LAST YEAR TO "PREPARE PUBLIC OPINION" FOR NECESSARY MILITARY RELATIONS WITH THE US, AND THE CONTACTS AYATOLLAH BEHESHTI AND OTHER CLERICS HAD EARLIER WITH US OFFICIALS. [REDACTED]

[REDACTED]

MILITARY SITUATION.

BAGHDAD ON 18 SPET. DECLARED THAT ALL SHIPS USING THE SHATT AL ARAB MUST FLY THE IRAQI FLAG, FOLLOW IRAQI NAVIGATIONAL INSTRUCTIONS, AND PAY TOLLS TO IRAQ. IRANIAN AUTHORITIES ARE LIKELY TO BALK AT SUCH MEASURES ESPECIALLY FOR THEIR WARSHIPS EN ROUTE TO THE NAVAL SHIPYARD AT KHORRAMSHAHR. BAGHDAD ALMOST CERTAINLY IS PREPARED TO USE FORCE TO BACK UP ITS CLAIM TO THE WATERWAY. [REDACTED]

FIGHTING CONTINUED ALONG THE SOUTHERN BORDER WITH IRAN CLAIMING ITS ARTILLERY SET AN IRAQI OIL WELL ABLAZE. IRAN HAS AVOIDED SUCH ACTION IN PAST CLASHES. IRAQ CLAIMED TO HAVE DOWNED ANOTHER IRANIAN AIRCRAFT AND REPULSED IRANIAN

~~SECRET~~

~~SECRET~~

STAFF

TANK ATTACKS. [REDACTED]

THERE HAVE ALSO BEEN CLASHES ALONG THE SHATT AL ARAB PORTION OF THE BORDER. THESE THREATEN KEY ECONOMIC FACILITIES IN IRAQ AND IRAN. PIPELINES IN THE AREA CONNECT MAJOR IRAQI OIL EXPORT TERMINALS IN THE PERSIAN GULF WITH OILFIELDS WEST OF AL BASRAH AND ALONG THE BORDER. THAT CITY IS THE SITE OF IRAQ'S LARGEST REFINERY WHICH HANDLES ABOUT ONE-THIRD OF THE COUNTRY'S DOMESTIC OIL REQUIREMENTS AND ALSO IS IRAQ'S CHIEF DEEP-WATER COMMERCIAL PORT, HANDLING TWO-THIRDS OF THE COUNTRY'S IMPORTS. IF HOSTILITIES REACH THE CITY OR AFFECT SHIPPING ON THE SHATT AL ARAB, IRAQ COULD SUFFER MAJOR SHORTAGES OF GRAIN, MACHINERY, AND PETROLEUM PRODUCTS. [REDACTED]

~~SECRET~~

~~SECRET~~

~~SECRET~~

~~SECRET~~

~~SECRET~~

~~SECRET~~



END OF MESSAGE

~~SECRET~~